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## Marx and the Credit Crunch

Some would say that the financial markets have developed out of all recognition since Marx's time, so much so that it would be impossible for his theories on this subject to have any relevance to what is happening today. But they would be wrong.

True, modern commercial banking giants now have a global reach. Especially this is the case regarding the bond markets: since the 1970s, the US has been running a large, ever-growing, balance of payments deficit, as has the UK government, and a few others. Apparently the US Federal Reserve Bank's reserves are now worth less than China's holdings in US Treasury bonds – largely due to China's huge trading surplus (BBC 2 WORKING LUNCH, 14 December 2007).

To finance their deficits, governments issue bonds (a sort of I O U, to be repaid at a later date), which are bought and traded in by international speculators and traders, including other governments, especially in recent years the Chinese state. The National Debt is now thoroughly international, one consequence of 'globalisation'. To some, the huge sums of money involved meant that:

*... the mature bond market of the modern world has a life of its own. Indeed, the bond market is now feted as a supranational, almost godlike force that passes daily judgement on the behaviour of governments without fear or favour – stampeding like a "galloping herd" at the mere whiff of reckless policy.* James Macdonald, A FREE NATION DEEP IN DEBT, New York, 2003, p 472

Also, with computerised technology and the Internet, the complexity of the systems available to City dealers and traders has developed a long way, even in the last 30-40 years.. Trades which formerly were made on the Stock Exchange floor, with jobbers and brokers shouting at one another – that organised pandemonium has gone, and today's City traders do their work sitting in their offices and watching computer screens. The only shouting you would hear in such offices would come from some demented 'market-maker', yelling obscenities down the line to his counterpart in New York..

## How Credit Keeps The Wheels Oiled

Yet there are still features of the current '*credit crunch*' crisis which Marx would have recognised. The capitalist mode of production, as a system, depends on the credit system to keep manufacturing and trade, production and

distribution, lubricated with ‘money credit’.

As Marx noted, capitalist production and distribution form an interconnected totality. For purposes of analysis, he needed to distinguish between the different, interrelated aspects of the capitalist system, as if they were separate, but in reality each has an influence on, and interacts with, the other.

In some notes on this, he wrote:

*The conclusion we reach is not that production, distribution, exchange and consumption are identical, but that they all form the members of a totality... Production predominates... The process always returns to production to begin anew... Admittedly, however,... production is itself determined by the other moments. For example if the market, i.e., the sphere of exchange, expands, then production grows in quantity... A change in distribution changes production... Finally, the needs of consumption determine production.* Grundrisse, INTRODUCTION, Pelican, p 99-100

Consequently, what seemed at first to be a banking crisis, caused by bad loans and ‘sub-prime’ mortgages, has an effect on production and other aspects of the economy, such as retail and wholesale distribution. Production was hit when banks stopped lending and credit dried up. Retailers were hit by the effect of the crisis on the important housing sector. As retailers reported that trade was slack, that fed back to manufacturers who, in turn, cut production. Workers who were laid off, as part of this vicious circle, cut their spending. But what has been left out of this picture is the important point that Marx identified: i.e., the need for the rate of profit to recover before production could be revived. Production takes place only when it is expected to be profitable - it is not just a matter of boosting demand, as Keynes held.

## Uses of Credit

In CAPITAL VOLUME III, Marx distinguished between ‘commercial credit’, i.e. money used as “*actual capital*”, for investment, as compared with ‘*money credit*’ which manufacturers and merchants relied on to ‘carry’ their businesses:

*In the discounting of bills of exchange the loan is but nominal. A manufacturer sells his product for a bill of exchange and gets this bill discounted at some bill broker’s. In reality this broker loans only the credit of his banker, and this banker loans to the broker the money of his depositors, made up of the industrial capitalists and merchants themselves, of drawers of ground rent and other unproductive classes, but also of labourers (in savings banks). In this way every industrial manufacturer and merchant gets around the necessity of keeping a large reserve fund and being dependent upon his actual returns.*

CAPITAL VOL. III chapter 30,  
MONEY-CAPITAL AND ACTUAL CAPITAL, p 569 [Kerr edition]

While ‘bills of exchange’ may no longer be in much use now, it is still routine for businesses of all sizes and types to rely on ‘lines of credit’ with banks. Manufacturers still use this credit as a way of ‘carrying the business’ from week to week, so that they need not hold onto large cash reserves or worry about fluctuations in trade.

Marx also pointed out that a part of the banks’ deposits came from workers, by way of the savings banks. Today, banks, pension funds and insurance companies - i.e. the financial institutions – still continue to play that role, using workers’ savings and pension funds to keep the wheels of commerce greased. The ‘god’ that created capitalism certainly had a sense of humour!

## Funny Money and Fraud

Marx also pointed out the impossible complexity of the credit system, which had the dangerous effect of disguising the fact that a business could well be teetering on the brink of insolvency, even while still appearing to be sound and thriving:

*On the other hand the whole business becomes so complicated, partly by the making of bogus checks [cheques], partly by operations with commodities for the mere purpose of writing bills of exchange, that the semblance of a solid business and a smooth run of returns may persist even after returns come in only at the expense of swindled money lenders or swindled producers.*

CAPITAL VOL III, chapter 30, p 569

In recent years there has been a whole series of financial scandals and swindles: Enron, WorldCom, Barings, Equity Life, Northern Rock - to name but a few. The latest is the largest French bank, Societe Generale. Even with the much-vaunted expertise of the credit rating agencies, no-one seems able to give advance warning. As ever, fraud is still a routine risk.

Just as Marx explained the trade cycle in production, he also showed how loan capital too is prone to cyclical crashes, followed by recovery and frenetic competition. He noted that there were various circumstances leading to the “*accumulation of money*”, which could become loan-capital, and argued that:

*... if this new accumulation meets with difficulties in its employment, through a lack of spheres for investment, due to the overcrowding of the lines of production and an oversupply of loan capital, then such a plethora of loanable money-capital proves merely that capitalist production has its limits. The subsequent swindle with credit proves, that no positive obstacle stands in the way of the employment of this superfluous capital. The obstacle is merely one immanent in its laws of self-expansion, namely the limits in which capital can expand itself as such.*

*... there must be a plethora of money-capital in definite phases of the cycle... and this plethora must develop with the organisation of credit. And simultaneously with it must also develop the necessity of driving the process of production beyond its capitalistic limits, by overproduction, excessive commerce, extreme credit.*

CAPITAL VOL. III, Chapter 32, pp 595-6

Generations after Marx, capitalism now has an impossibly complex finance system, with a variety of futures and ‘derivatives’ being traded around the world, with risks being routinely disguised, ‘bundled’ up with less risky and fraudulent deals, and relabelled as ‘collateralised debt obligations’ (CDOs).

Such practices are clearly misleading: this was what led to the collapse of the US housing market, with a sudden loss of nerve, a collective panic, about the huge sums lent by way of ‘sub-prime’ mortgages. Banks who were lending to people with “no income, no jobs, no assets”, i.e. no collateral, did so to compete for market-share, confident that they could offload any risks on to other institutions, or, if necessary, selling these dubious ‘assets’ at a loss.

With the ‘*credit crunch*’, which had started in August and dragged on through the autumn, the Inter-Bank Lending System failed, as banks no longer dared to trust one another, and as a result credit dried up (BBC 2 WORKING LUNCH, 13 December 2007).

The money markets operate by a sort of spurious magic, not unlike that other swindler, the Wizard of Oz, with his “*horse of a different colour*”. As Marx explained, “*how often the same piece of money can figure as loan capital*” depends on several factors, including the speed of the credit system. Rather like the three-card trick - “*now you see it, now you don’t*”. More than a century ago, Marx was clear about the distorting, illusory, deceptive effects of the credit system:

*... the perfection of the reversal accomplished by the credit system becomes apparent [as] even an accumulation of debts may appear as an accumulation of capital...*

CAPITAL VOL. III, chapter 30, p 560 That was what got the bankers thoroughly unnerved and unsettled in the autumn of 2007. What they thought they had on their books as valuable assets turned out to be an unknown and – worse! – an unknowable lot of liabilities. Their “*accumulation of capital*” had to be recognised for what it was: “*an accumulation of debts*”. As high summer sank into soggy autumn and so to winter’s gloom, some may have had in mind these lines:

*The glass is falling, hour by hour, the glass will fall for ever, But if you break the bloody glass, you won’t hold up the weather.*

Louis MacNeice, BAGPIPE MUSIC

But our sympathy is not with bankers and speculators. As Marx pointed out, with anger and irony, when banks crash, workers too are vulnerable - they too sustain losses:

*Only one thing must be mentioned, namely that the business of actual saving and abstinence (by people forming hoards), to the extent that it furnishes elements of accumulation, is left in the division of labour, which comes with the progress of capitalist production, to those who receive the smallest share of such elements, and who frequently enough lose even their savings, as do the labourers when the banks fail.*

CAPITAL VOL. III, chapter 32, p 596-7

A worker's savings may be small, an insignificant figure in the bank's books, as compared to the much larger deposits of his employer. But employers can hedge their risk, spreading their deposits around in a number of institutions and markets. For them, if one bank fails, that might be a mere inconvenience. But a worker, with only a relatively small nest-egg, is more at risk: his losses, while small to the bank, may be disastrous for him. Especially if, at the same time as he loses his savings, his home is repossessed, his credit card is cancelled, and his job too disappears.

Such is part of the downside of capitalism, which simply lurches from crisis to crisis – and yet people tell us Socialism wouldn't work!

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## Another Economic Crisis

We live in a world in which there is an enormous gulf between what economists, politicians and journalists say about capitalism and what it is really like. To put it another way, there is an irreconcilable difference between academic economic theory on the one hand, and the actual experience of capitalism by the working class in its day-to-day struggle to make a living.

Official pronouncements on economics tell us that commodity production and exchange for profit is the best way of producing and distributing goods. They state that private property ownership, the price mechanism and the profit motive represent the most efficient system of resource allocation known to human beings, and will carry on forever. Just as Margaret Thatcher said “*there is no alternative to the market*”, her New Labour successors now tell us there is no alternative “*to the forward march of the global economy*”.

Gordon Brown, like Tony Blair, believes that only the “*enterprise of markets and the rigours of competition*”, as set out in the new Clause 4 of the Labour Party’s constitution, can provide workers with their needs. It is a belief shared by all European governments, by Democrats and Republicans alike in the US, and in the so-called “*New Europe*”, whose governments claim to have once experienced a different economic order to the market and are now quite happy with the one adopted from the West.

Yet the experience of capitalism for the majority of this planet is hard and relentless. Several billion live on a few dollars a day. Millions just die. Extreme wealth on one side - and extreme poverty on the other. Even those with high wages or salaries are insecure. Ten million workers in Britain have been made redundant at least once in the last ten years. Insecurity and unpredictability are two inescapable features of capitalism in the 21st century. In the European Union alone, there are 20 million unemployed.

## Market Fundamentalism

During the 1980s, economists fell in love with so-called ‘free markets’, and the state, seen as economically inefficient, was relegated to the minimal role once advocated by Adam Smith in his book, THE WEALTH OF NATIONS. State capitalism was in decline, and Keynesianism was intellectually bankrupt.

“Greed is good”, “loads a money” and “lunch is for wimps” were the new watchwords. Market fundamentalism, scraped up again from the dustbin of history, became the new orthodoxy: ‘New’ Labour Ministers like Peter Mandelson (who was “at ease with the extremely rich”) dined at their tables and doled out peerages to the rich, in return for large monetary donations to the Party coffers.

Market fundamentalism was informed, amongst others, by the writings of the economist Kenneth Arrow of Harvard University who, in a book written with Gerard Debreu, EXISTENCE OF AN EQUILIBRIUM FOR A COMPETITIVE ECONOMY(1954), revived the optimism of J B Say’s early 19th century view of buying and selling as a system in which every seller bought a buyer to market, and there was harmony throughout capitalism. In a series of sophisticated mathematical equations, Arrow and Debreu attempted to show that markets were benign, self-correcting and harmonious. For this work, they jointly received the Nobel Prize for Economics.

Yet, with the reality of periodic economic crises and entrenched unemployment, the theory of a market utopia - despite the beautiful mathematical equations - was demonstrably wrong. In short, we have market anarchy rather than market harmony.

Even Professor Arrow admitted that his model of perfect markets only worked:

*... if you assume no technological progress, no growth in population and lots of other things... Otherwise, we can have perfectly good examples where the economy only whirls round; it does not converge in a steady state.* Interview in G R Feiwel (ed.) JOAN ROBINSON AND MACROECONOMIC THEORY, London, 1989, pp 147-8

The ‘Arrow-Debreu general equilibrium model’ - for that is what it is called - is a mathematical model that consists of buyers and sellers from which a consistent set of prices across the market is drawn, allegedly to ensure that demand and supply are in equilibrium. Yet the model has a fundamental flaw: a time-lag. Economic models are static as are the mathematical equations used to represent them. Real time has been abstracted away.

Real time, the time it actually takes a seller to find a buyer, is the most important imperative in any market, as any businessman or worker knows. Sellers are dependent on buying commodities themselves. Workers, for example, daily have to buy the necessary commodities they need to live on in order to reproduce their labour-power. And capitalists have to pay taxation, creditors, landlords, workers’ wages, interest, etc.. If the time lag is too long, then equilibrium cannot hold. This was explained by Marx in the following way, in discussing simple circulation:

*If the interval in time between the two complementary phases of the complete metamorphosis of a commodity become too great, if the split between the sale and the purchase become too pronounced, the intimate connexion between them... asserts itself by producing a crisis.*

CAPITAL VOL I. chap. 3,  
MONEY, OR THE CIRCULATION OF COMMODITIES, p. 115

Say’s law of the harmony between buying and selling, of which the Arrow-Debreu model is a poor derivative, assumes a static rather than a dynamic capitalist system.

It also ignores the separation of commodity production from the realisation of selling a commodity for profit, and the fact that the prices of commodities can vary over the trade cycle.

Of course, in CAPITAL VOLUME 1, Marx was only dealing with simple commodity production. As he showed later, in subsequent volumes of CAPITAL and in THEORIES OF SURPLUS VALUE, the problem is more pronounced and volatile. In extended commodity production, there are further problems associated with capital investment for an expected, - rather than an existing – market: credit, uncertainty of future sales, instability of money transactions, differences in the productivity of capitalist businesses, speculation, and miscalculation.

*This process [of extended commodity production] is so complicated that it offers ever so many occasions for running abnormally.*

Capital Vol. II, chap. 20, pp 351-2

# The Death of Economics?

The discrepancy between what economists write about capitalism and the way workers actually live has led one economist, Paul Ormerod, to declare “*the death of economics*”. Professor Ormerod stated in his book, THE DEATH OF ECONOMICS (1995), that economists’ understanding of capitalism is not far removed from science in the Middle Ages:

... the belief that the sun revolved around the Earth led to astronomical models of great complexity as scholars struggled to account for ever more discrepancies between the observed paths of the heavenly bodies and those required by the theory (p 66).

Yet Professor Ormerod’s own writing on economics, judging by his latest book, WHY THINGS GO WRONG (2005), demonstrates his own ignorance of capitalism, likewise of those he attacks. He treats Marx as though he was a mere economist:- contributing to economic theory, rather than engaging in a critique of political economy for revolutionary socialist ends. The title of Professor Ormerod’s book, THE DEATH OF ECONOMICS, was a rhetorical device; a futile academic gesture. Capitalist economics will exist as a body of ruling-class ideas and beliefs so long as capitalism retains its powerful hold over what workers think about the world they live in, and over whether workers act in their own interests or continue to support the interests of another class.

While economists start from the assumption of perfect markets and perfect information, where buying and selling leads to market harmony (the origin of this fallacious dogma is to be found in the writings of Alfred Marshall), Marx was led by his studies to conclude that the very foundations of capitalism, in its search for profit, are unstable, anarchic and prone to periodic crisis. Marx started by demonstrating that capitalism is a historically formed and transient social system, based upon the division of society into a small class, who own the world’s resources, and the majority - a property-less class of workers who have to sell their ability to work for a wage or a salary.

Marx is distinct from most economists of the last three centuries in that he did not consider himself to be a “*pure*” economist. He rejected the notion that intellectual disciplines are separate disciplines - with separate histories. His critique of political economy is set within his theory of history and the political concept of the class struggle.

For Marx, there are no economic laws which exist for all time: the way in which co-operative social labour relates to the means of production gives rise to different social systems with their own peculiar social institutions.

Marx showed that the capitalist class exploits the working class, and thereby generates a class struggle. This is going on all the time, a conflict totally missing from the pages of economics textbooks, where the relationship between workers and capitalists is presented in terms of peaceful, mutual co-existence. THE DICTIONARY OF ECONOMICS (2005), for instance, has no entries for ‘class’, ‘class interest’, ‘class conflict’ or ‘class struggle’. Nor is there an entry for ‘trade unions’. Anything that upsets the “*harmony of the market*” - environmental pollution, starvation, classes, the class struggle and so on - is outside economics. They even deny society and social relationships. Only buying and selling counts.

Marx went on to note, against economists like J B Say, that capitalists do not plan among themselves how commodity production is to take place. Instead, all capitalists are competing to make greater profits than their competitors. In this process, they usually want to pay their workers as little as possible, and to make them work as hard and as long as possible.

**Capitalism then does not have meeting human needs as its central driving force but, instead, the incentive is to make profits and to accumulate capital. And capitalism is inherently unstable.** Marx showed that Say, and modern economists like Professor Arrow, were wrong. No seller of commodities, whether he be a worker or a capitalist, can be sure they will find a buyer on the market. If sellers of commodities were always in a position to sell, there would be no unemployment or bankruptcies. But workers can be in a job one day, and be unemployed the next. Capitalists can have full order books one minute, and an unsold pile of commodities the next.

So market fundamentalism has a structural flaw running right through it: there is no harmony of the market; there is no harmony between capitalists buying labour power and workers selling labour power; and it follows that capitalism can never be made to work in the interest of all society.

In the real world, there is unemployment and bankruptcies. Periodic trade depressions, and what Marx called an “*industrial reserve army*” of the unemployed, are all facts of life under capitalism. So too are firms coming into being, making profits, making losses and then becoming bankrupt: “*from clogs to clogs*” in three generations, as one Northern wit once remarked.

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## Why Northern Rock Was Nationalised

For too long, Socialism and nationalisation were thought by most people to be one and the same but the Socialist Party of Great Britain has always argued that nationalisation is just a form of capitalism. The latest instance, with the bank, Northern Rock, taken into “*temporary public ownership*”, is nationalisation in all but name.

It has been argued that an industry or firm would be more efficiently run under state control. Later, experience showed that this could be just as inefficient. So politicians switched back to favouring privatisation. This also has proved to be inefficient, and now a later generation is again pining for the ‘efficiency’ of state-run, nationalised railways and utilities, as against the greed, price-hikes, and chaotic inefficiency of the privatised utilities and railways.

An obvious lesson from this sorry saga is that, whichever way capitalism is run, it just can’t be done efficiently. That is, if by “*efficiently*” you mean that an industry or service will be run in such a way as to get the best from the abilities of its workforce and satisfy the community’s needs. “*From each according to their abilities, to each according to their needs*” remains a pipedream under the capitalist system, based as it is on production for profit. In the dim and distant past, the ‘old’ Labour Party justified its bogus claim to be a ‘Socialist’ party by its nationalisation policies. For instance, Attlee in his book, THE LABOUR PARTY IN PERSPECTIVE (1937), wrote :that “*The aim of socialism is the nationalisation of all industries*” (quoted by Tony Cliff and Danny Gluckstein, THE LABOUR PARTY - A MARXIST HISTORY, 1996 ed’n, p 212). But it is wrong to suppose that nationalisation, which Labour governments falsely claimed was ‘Socialism’, was anything other than just another form of ‘production for profit’. In fact, by law all nationalised industries were required to show a return on investments, i.e. profits. This point was clearly spelled out in the government’s 1961 guidelines, and repeated in a 1967 government White Paper.

*These guidelines are a partial substitute for the market constraints which affect a firm operating in a competitive environment. They are quite specific about the type of pricing policy that the industries should use, the minimum rate of return which new investment projects should show..., and the overall rate of return on net assets which the industries' whole operations should achieve.*

Graham L Reid and Kevin Allen, NATIONALIZED INDUSTRIES, Penguin, 1970, p 20

The historic record shows that, at times, all the main capitalist parties have opted for nationalisation: they all see it as a ,matter of expediency, not principle. The Post Office was nationalised (1868) by a Tory government. The Bank of England was nationalised (1945) by Attlee’s Labour government.

The type of industry most likely to be nationalised, in Britain as in other countries, includes sectors that other sectors of the economy depend on, e.g. transport infrastructure, communication services, and utilities, also some industries of strategic importance to the state, such as aerospace and shipbuilding. On grounds of expediency or the ‘national interest’, some key industrial firms, e.g. Harland and Wolff shipyards, British Leyland, and Rolls Royce, were taken over by the state, when unable to compete with foreign competition, i.e. as a ‘temporary’ form of protection..

In a pamphlet, NATIONALISM OR SOCIALISM? (1945), the SPGB argued that:

*... the capitalists themselves... have no deep-seated hostility to nationalisation. Subject to the preservation of their interests as receivers of property incomes they have always been prepared to consider nationalisation on suitable financial terms.*

*... the various measures of nationalisation have never been caused by any desire on the part of the capitalists to curtail their own property interests for the benefit of the rest of the community, but have been brought about for all kinds of reasons (including military and strategic reasons), all of which are strictly in harmony with the maintenance of the capitalist system of society* (p 45). Shareholders can expect to receive generous compensation for giving up their control of a nationalised firm: for instance, in 1945 the Labour Government's Bill stated that:

*... the stockholders [of the Bank of England] were to receive as compensation the same dividend, 12%, as they [had] received for the past 20 years. For each £100 of Bank Stock, they [would] receive £400 of Government Stock paying 3% a year* (*ibid.*, p 22).

With compensation in mind and a guaranteed future income from dividends, based on gilts, and with the government's backing, shareholders were - and are - open to offers, provided the right terms are offered:

*In 1937 Mr William Whitelaw, Chairman of the London and North-Eastern Railway, in an interview with the NEWS CHRONICLE (29 December 1937) declared that he had no objection to nationalisation of the railways on "fair terms" and "as a large stockholder myself I should have no hesitation whatever in taking Government Stock instead of Company Stock"* (*ibid.*, p 38).

While it may well be that a great many of Northern Rock's shareholders are local people, backing a regional firm, or employees (workers who had been persuaded to accept shares as a part of their pay package), there are others who are merely shareholders for speculative reasons. In recent months, some hedge funds have been buying up shares, gambling on a rescue or nationalisation deal proving profitable. Two off-shore hedge funds have been effective in blocking a proposed 'rescue' proposal by that well-known philanthropist, Richard 'Virgin' Branson, a tax-dodging offshore tycoon. The hedge fund people want the government to pay them a high price if it nationalises the bank: although the bank's shares were last quoted at less than £1 per share, SRM were demanding that "*the Government would have to pay out £4 a share to investors, if it nationalises Northern Rock*", (*INDEPENDENT*, 16 February 2008).

It seems SRM were also involved in a similar campaign in the US regarding Countrywide Financial, a major casualty of the sub-prime crisis - "*trying to force rescuers Bank of America to pay more*". Even with nationalisation clearly the most likely outcome at Northern Rock, SRM was still increasing its share-holding in the Rock, right up to the point when dealings in Northern Rock shares were suspended. The SRM punters may well have spent "*over £70m of clients' money*" buying such shares, mostly at a time when the share price was still at £2 or £3 (*PRIVAYE EYE*, 22 February – 6 March 2008). Their gamble may not pay off.

Richard Branson was also doing some knightly horse-trading: his 'rescue' bid was not unconditional or altruistic as it did not meet the Treasury's conditions:

*Sir Richard Branson's Virgin will submit a new proposal today that will seek to meet the Government's demands. The Treasury wants Virgin to pay up to £200m for the Government to guarantee a bond issue by Northern Rock.* *BR INDEPENDENT*, 16 February 2008

Such are the ugly dealings behind the headlines. As ever, it boils down to money, and prospects of profit. When tycoons descend like a flock of vultures to pick over the remains of a failed capitalist enterprise, fighting to get at the entrails, they are rewarded with peerages and knighthoods. But when workers put in for a pay rise, they are told - by the bosses, the media, the politicians, and even many of their fellow-workers - that they are being greedy.

At bottom, the question of nationalisation is a matter for the capitalist class to fight out. As the SPGB argued:

*... the problem facing the capitalist class is that of the form under which their industry shall be controlled; while for the working class the vital problem is that of ownership....*

*What has the Socialist to say of all this? It is to warn the working class that "the more capitalism changes the more*

*it is the same thing." All of these never-ending experiments in the control of capitalism leave untouched the working class problem of effecting a change of ownership, from private ownership to real ownership by the community and democratic control by the community... The problem facing the working class now, as it was 20 or 50 years ago, is the fact that the capitalist class are the private owners of the means of production and distribution. No amount of State capitalist enterprise or State regulation of monopolies will alter this. What the working class need to concern themselves with is the problem of ownership, the fact (to quote the Economist, 25 December 1943) that "as a rough estimate... it can be said that... 7 per cent of the adult persons in the country own 85 per cent of the private property... of the country."*

NATIONALISM OR SOCIALISM? ( pp 62 and 67)

Now, more than half a century later, *what has changed?* This problem remains. Yet the working class are still mostly unaware that there is a solution to the problem, a solution which is in their hands to use, once they discover how to use what is in their heads - their eyes and ears, and, above all, their grey matter.

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## Capitalism In Crisis - Again!

Under a banner headline, "*Fed cuts growth forecast as US inflation and jobless level rise*", a recent article in THE TIMES (21 January 2008) pointed out that the US economy is experiencing simultaneously rising inflation and unemployment, similar to the problems faced by the Labour Government in the late 1970s.

Until recently, it has been economic dogma that the central banks can control the economy through interest rates, thereby preventing depressions. This fallacy was first exposed in Japan where interest rates went near to zero but the depression persisted. A similar event has now occurred in the US, with cuts in interest rates having little effect on the economy.

Socialists have long drawn attention to the fallacy that the Bank of England or the Federal Reserve Bank could control interest rates at will. We have drawn on the writings of both Marx and Cannan. Marx stated in the third volume of CAPITAL that there was no law determining interest rates - these were the result of market forces. This view was also held by Professor Cannan. In 1921, Cannan gave a lecture to the staff of the Bank of England in which he said:

*Others imagine that the bank or banks which declare the most prominent rate by that action settle the rate for the whole money market... Recently certain people were continually talking as if the Bank of England Directors could declare a rate of 2 or 20 per cent just as they could order this room to be repainted red or green, and that the other banks and the money market generally would find no difficulty in conforming to their decision. This is quite absurd. The money market rate is only a part of the whole, and may be above or below the general rate just as the rate obtainable on loans for any particular purpose may be above or below the general rate, but it is no more arbitrarily regulated by the will of a few persons than any other rate.*

AN ECONOMIST'S PROTEST, p 294

With monetarist doctrines in disarray and the 'Masters of the Universe' shown to be as mortal as the next man, THE ECONOMIST recently published an article entitled "*A stimulating notion*" (14 February 2008), which noted that, with the failure of monetarism, Keynesianism was making a comeback:

*Inspired by John Maynard Keynes's "General Theory", many economists in the 1960s and early 1970s viewed government tax and spending decisions as the prime tool for smoothing the economic cycle. That confidence was later shattered by stagflation and rising budget deficits. The modern consensus has been that monetary policy, administered by an independent central bank, makes a better first weapon against recession than the whims of politicians.*

The author drew attention to the failure of Keynesian policy in the 1970s. It is worth looking again at the reasons

why this policy failed. In the Thirties, the Roosevelt New Deal signalled the conversion of most economists to the doctrines of J. M. Keynes.

Before Keynes, the usual reaction of governments to the onset of a depression was to meet the fall of tax revenue, due to reduced income from profits and wages, by cutting government expenditure and increasing the rates of tax – the aim being to maintain a balance between government revenue and expenditure without borrowing. The Keynesian remedy in a depression was the reverse – to cut taxes, increase government expenditure by borrowing, and run a big budget deficit.

Many Keynesians claim that there is proof that, if the government spends more and runs a budget deficit, this will create more jobs. That is wrong in theory and not supported by experience. If a government spends more, whether it gets the additional money by taxation or by borrowing from investors, the inevitable consequence is that taxpayers and / or investors spend correspondingly less.

**The true picture is that capitalism goes through a continuing cycle of depression, expansion, overproduction, depression - irrespective of the budget or other policies of different governments.**

The abnormally low unemployment under the Attlee Labour governments (1945-1951) could not have been due to a Keynesian, budget deficit, policy because the government was running a budget surplus.

The best example of the irrelevance of Keynesian doctrine is to compare the Roosevelt ‘New Deal’ in the Thirties with the way the British government dealt with depression in the same years. Roosevelt’s policy was Keynesian. The British government’s policy was the reverse, that of cutting government expenditure and increasing taxation to aim at a budget surplus.

In spite of opposite financial policies, unemployment took much the same course in both countries. In the USA, it rose from 8.9 per cent in 1930 to a peak of 25 per cent in 1933, and in 1938, five years after Roosevelt became President, was still at 19 per cent. In Britain, it reached a peak of 22 per cent in 1932, and in 1938 it was still at 13.5 per cent.

In 1976, the Callaghan Labour Government threw the Keynesian doctrine into the dust bin of history because it would cause inflation. Callaghan said:

*Continued inflation in the UK would lead to further hardship and unemployment. Therefore the Government rejected the panacea of pumping more funds into the consumers' hands so that the internal economy could be expanded.*  
TIMES, 16 November 1976

What caused the Callaghan Government to repudiate Keynes was that two different Keynesian policies presented the government with an inescapable dilemma. One Keynesian doctrine is that the cure for inflation is to run a large budget surplus. The other Keynesian doctrine is that the cure for unemployment is a large budget deficit.

But, under the Labour Government between 1974 and 1976, unemployment and prices were both shooting up rapidly, and there is no way in which the budget can be in surplus and deficit at the same time.

As Marx showed, capitalism is an inherently unstable economic system and there is nothing governments can do to make it stable.

If the working class want to stop unemployment being a blight on their lives, they will have to take conscious and political action to abolish capitalism and establish Socialism.

## **The Right Road To Socialism**

For a hundred years the working-class movement has vacillated between four different roads, each of which had guides which proclaimed it the road to freedom: The armed conquest of power by a small and determined group

which would hold on to power until the majority were converted – Blanquism; the seizure of the means of production and distribution by some form of industrial action – Syndicalism; the accomplishment of ever more seeping reforms until Capitalism had been reformed out of existence and society had “glided” into Socialism – Reformism; and the conquest of power by a majority of class-conscious workers antagonistic to reform policies, spurning leadership, using democratic methods, and imbued with the single aim of abolishing the capitalist ownership of the means of production and distribution in order to replace it by common ownership – revolutionary political action to establish Socialism. A confusing note across all these roads has been the moan of the suffering small proprietor, ground down under the weight of modern industry; seeking working-class assistance to relieve him of his burdens he has failed to grasp the fact that he is a relic of earlier social development, doomed to stagger on, but whose real interest lies in the abolition of the very conditions that force him to struggle for a hard and precarious existence. This group often expresses its social outlook under the title of Anarchism, a name which has covered a multitude of sins.

In the painful history of the working class movement a variety of different parties have been formed: some following one or other of the above roads, but most of them striving to combine all the roads into one main road – and bringing only ruin in their wake. “Compromise” and “Unity” have been the magic symbols under which these combinations have masqueraded.

THE COMMUNIST MANIFESTO and THE LAST HUNDRED YEARS, SPGB pamphlet, 1948, p 8

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## The Erfurt Programme

### Conference in Erfurt, Germany

The German Social Democratic Party (SDP) had been founded in 1875 through the merger of two earlier parties. Under Bismarck's Anti-Socialist Laws between 1878 and 1890, the SDP enjoyed rapid growth and at the same time clarified its political program. Despite illegality, SDP candidates increased their vote from 311,961 in 1881 to 1,427,298 in 1890.

The 1883 SDP Congress, held in exile in Copenhagen, declared that the SDP was a revolutionary party with no illusions about reforming the capitalist system. At its first Congress after legalisation, held in Erfurt, the SDP adopted a new programme to replace the somewhat confused 1875 Gotha Programme which Marx and Engels had criticised at the time it was adopted. The SDP set out a programme of tactics, reforms, and a vague theoretical goal and this was codified in the Erfurt Programme of the SDP in October 1891, and was adopted by other Social Democratic Parties.

The Erfurt Programme first appeared in English in 1896, in Bertrand Russell's book, GERMAN SOCIAL DEMOCRACY. He thought it “perfectly orthodox Marxianism” (p 141), although, as a Liberal, he disliked the claim that “*the ignorant voter is as good a judge of current questions as the member who has especially studied them*”. The Socialist Party of Great Britain's pamphlet THE COMMUNIST MANIFESTO AND THE LAST HUNDRED YEARS (1948) also carried a translation of the text of the Erfurt Programme but accompanied it with a Socialist criticism, highlighting its weaknesses and contradictions:

*An examination of this programme will reveal the disappearance of all pretence to revolutionary action and an understanding of why the Social Democratic Party lost their way in a bog of reform... If the party had concentrated single-mindedly upon the achievement of Socialism, with perhaps the demand for the suffrage, instead of wasting most of its energies upon the fight for reforms - which increased in number as time passed – how different might have been the shape of things in Germany to-day [1948], as well as in the rest of the world!*

THE COMMUNIST MANIFESTO AND THE LAST 100 YEARS, pp 26-7

The Erfurt Programme is in two parts. The theoretical section was written by Karl Kautsky. The ‘practical’ section was, significantly, written by Eduard Bernstein, the pioneer of reformism ('gradualism') within the SDP.

The programme was a product of its times: attention centred, particularly in Germany after the repeal of the Anti-Socialist Laws (1890), on winning democratic rights within a parliamentary framework. The Erfurt Programme posed socialism as a distant prospect and emphasised, as immediate tasks, the struggle for suffrage and other democratic rights within capitalism.

That programme was therefore ambiguous and, in fact, contradictory. It was the establishment of the SPGB in 1904, and the collapse of social democracy on the outbreak of war in 1914, that exposed these ambiguities and contradictions.

## Frederick Engels and the Erfurt Programme

For Engels, the Erfurt Programme was a necessary concession to the period. But he warned vigorously against making the division between ‘immediate demands’ and the socialist revolution a central feature of the programme. In his critique of the draft of the programme (a precursor of the final work drafted by Liebknecht), Engels urged that the minimum demands be linked to the socialist goal by a sentence to connect the two sections, reading: “*Social Democracy fights for all demands which help it approach this goal.*”

(K Marx and F Engels, SELECTED WORKS, VOL. 3, Moscow, 1970, p.433).

But, instead of this, the programme of Kautsky and Bernstein ‘linked’ the minimum and maximum sections by emphasising their separateness. Engels saw in the Liebknecht draft the danger that reformism would obliterate revolutionary socialism, and wrote:

*The political demands of the draft have one great fault. It lacks precisely what should have been said. If all the ten demands were granted we should indeed have more diverse means of achieving our main political aim, but the aim itself would in no wise have been achieved.*

Marx and Engels, SW, VOL. 3, p 433

In the main, Engels, albeit with qualifications, was supportive of the draft of the programme, and did not distance himself from it. [Note: His comments can be read in A CRITIQUE OF THE DRAFT SOCIAL-DEMOCRATIC PROGRAM OF 1891 - see [www.marxists.org](http://www.marxists.org)]

## Karl Kautsky and the Erfurt Programme

Significantly, Kautsky offered no analysis for achieving the demands of the minimum programme, beyond the ever-increasing numbers of social democratic votes for the Reichstag, from non-socialist voters attracted by the reform measures.

Contrast this with the Socialist Party of Great Britain which appealed for Socialist votes only from Socialist workers, who understood and agreed with the Socialist case and its single Socialist object. The SPGB also stressed from the start the vital importance of building up a Socialist majority, capable of sending Socialist delegates to parliament with the express objective of controlling “*the machinery of government*”, and to use that machinery of government as the means of emancipation, in order to establish Socialism.

The theoretical programme by Kautsky was turned first into a pamphlet and then into a book, DAS ERFURTER PROGRAM (1892), more popularly known as THE CLASS STRUGGLE. This was Kautsky’s first book without the influence, advice and criticism of Engels. And it shows.

The Socialist Party of Great Britain began translating the book into English. But, on learning the contents of the fourth section, which explicitly argued that trade would exist between countries within ‘Socialism’, “*refused to have any more to do with it*” (Robert Barltrop, THE MONUMENT, 1975, p. 35). Contrast Kautsky’s nonsense with the Socialism advocated by the SPGB. Socialism would mean the abolition both of classes and of nation states, along with trade, buying and selling, and the wages system.

A year after Engels's death in 1895, one of the main SDP leaders, Eduard Bernstein, published, under the title *Problems of Socialism*, a series of articles in the SDP's theoretical review, *Neue Zeit*, which challenged the whole basis of the SDP's program and perspectives. In 1899, Bernstein published THE PREREQUISITES OF SOCIALISM AND THE TASKS OF SOCIAL DEMOCRACY, which further developed his views. Bernstein was influenced by the Fabians whom he met in England when in exile. He looked to the experience of French and British Parliamentarism, with their regular combinations of Liberal and Labour politicians, and their mounting tide of social reforms. He saw Parliament, not as a site for the enactment of revolutionary socialism but, instead, one for the pursuit of social reforms. Bernstein stated that the social movement was everything but the Socialist goal nothing.

As for Kautsky, he resolved the ambiguity within the Erfurt Programme by embracing reformism. Correctly he denounced the Bolshevik Revolution but he moved closer to Bernstein's reformism:

*I then found myself closely linked to Bernstein. We came together again during the war. Each of us preserved his own political physiognomy, but in practical action we found ourselves almost always in agreement. So it has continued to the present day.*

See Salvadori, KAUTSKY AND THE SOCIALIST REVOLUTION: 1880-1938, 1996, p 226

A word on Kautsky and the First World War. Kautsky was against war in 1904. In 1905, still against war, he rejected the idea that war could be ended by the mass strike. In 1905, following events in Russia, the mass strike became fashionable as a political tool, and was advocated by Luxembourg, Lenin, and others. Kautsky rejected the use of the mass strike and argued that socialists should oppose war. By 1912, he urged political opposition to armaments. On the August 3rd, 1914, he attended a meeting of right-wing reformists in the SDP, known as the *SPD Fraktion*, to discuss voting on war credits which had already been agreed by most of the group. The Party then voted for war credits, by 78 to 14, while Kautsky tried to influence the various drafts but lost, and the SDP supported the war. In November 1914, Kautsky was still voting against war credits - "*to save my conscience*" as he wrote to Adler. But by 1915 he was arguing that socialists had to support the war to the extent that it was a war of 'national self-defence' (P Steenson, KARL KAUTSKY 1854-1938: MARXISM IN THE CLASSICAL YEARS, 1991, pp 181-201).

In Steenson's book, there is a photograph of Kautsky's last public speaking appearance in Vienna in 1932. A year later, Hitler took power in Germany. If the SDP and other social democratic parties had argued for Socialism and *only* Socialism, how different 1914 and 1933 might have been.

## Fundamental Political Errors of the Erfurt Programme

We can now consider what might be described as the four fundamental political errors in the Erfurt Programme:

First, the revolutionary Socialist objective was watered down to a level where it was no longer a concern or interest for the German SDP: the reformist wing of the SDP and the trade unions influenced their practical disdain for the Socialist goal. Socialism was not seen as an urgent necessity but as a pure, idealised, future goal.

Kautsky held the view that the Socialist goal was embodied in theory, a theory which had to be protected from the day-to-day politics of the Party. For example, he wrote that the materialist conception of history was "*a scientific doctrine, in no way connected with the proletariat*" (F Jakubowski, IDEOLOGY AND SUPERSTRUCTURE IN HISTORICAL MATERIALISM, p 64), as though the forces of production did not include the working class. He held that theory was injected into the working class from without by intellectuals:

*The bearer of science... is not the proletariat but the bourgeois intellectual; modern socialism therefore originates from individual members of this layer, and is communicated by them only to intellectually outstanding proletarians who then introduce it into the class struggle of the proletariat where conditions allow.*  
loc. cit , p 118

Socialist theory was to be pursued separately to the actions of the working class. So SDP politicians could indulge

reformist demands made by workers; allow those with reformist views to join the Party, and trade unionists to pursue whatever reform measures they and their membership desired. It also allowed Bebel to congratulate the Liberal Party in Britain on their election success in 1906 (Robert Barltrop, THE MONUMENT, 1975, p 35). This political dualism led not only to a split between the ‘ultimate’ goal and ‘immediate’ reform policies but the pursuit of reform policies at the expense of the Socialist objective.

The German SDP were not alone in making this error. The same problems emerged in the Social Democratic Federation, and led to the formation of The Socialist Party of Great Britain in 1904, by former SDF members who rejected leadership and reformism.

Second, the failure of the Erfurt Programme to pursue a solely Socialist objective led to the dominance, in the 20th century and since, of reformist politics. Reforms or palliatives, which at first were taken up as stepping stones towards Socialism, soon became just an end in themselves.

The pursuit of these reforms only served to make capitalism more efficient while the Social Democratic parties that took this line became parties which merely competed for votes against the openly capitalist parties, competing as to which party could offer the best set of reform policies. Once the Socialist goal is removed from the political programme, what is left is mere reform politics, the characteristic of social democracy the world over.

Third, there was the division of politics into ‘theory’, something the intellectuals do, and ‘practice’ - something trade unionists, politicians and workers do. This led to a two-tiered party of the leaders and the led - a politics explicit in Leninism, and also characteristic of *all* major capitalist parties, including most of the Left. Workers were expected to cheer leaders, not to think for themselves. As a result, the most important political proposition advocated by Marx was lost:-i.e.

**that the establishment of Socialism has to be the conscious and political work of the working class itself.**

It is a mistake to see theory as separate from practice. The theory is clung to even though social reality has changed. A split takes place in reform politics where a day by day politics is pursued which is no different to that offered by other capitalist parties, while a rarefied theory is kicked about in university seminar departments. But, in the real world, practical politics always enters into theory, and *vice versa*. When ‘practical’ politics entered Kautsky’s ‘theoretical’ world in the form of votes for war credits, he sided with the practical side because his theory was sterile and bankrupt.

Not so the SPGB: unlike Kautsky and the leadership of Social Democracy, the SPGB opposed the 1914 war consistently and from the start, on the grounds that it was not in the interest of the working class to kill each other for the trade routes, spheres of influence, and raw resources of the capitalist class. For Socialists, the Principles of the Party were based on practical experience of the class struggle. Though there was no explicit clause about war in the Party’s DECLARATION OF PRINCIPLES, the Party opposed that war (and all subsequent capitalist wars) on grounds of class and internationalism, unlike the Social Democratic, reformist, parties of the Second International.

Fourth, the SDP’s actions in the Reichstag led to parliament being replaced, as the focus for revolutionary socialism, by direct action through mass strikes or councils of non-socialist workers (‘soviets’) - either spontaneously as urged by Rosa Luxemburg, or led by professional revolutionaries (e.g. Lenin and Trotsky). Parliament came to be seen only as a reformist institution, with no revolutionary Socialist potential.

The SPGB has always insisted that parliament could be used for revolutionary ends, and urged the necessity for workers to gain control of the machinery of government before establishing Socialism. When workers understand and desire Socialism, they have a peaceful route to establish common ownership and democratic control of the means of production and distribution by all of society.

There has not yet been a parliamentary test of the power of delegates acting on instructions given to them by a Socialist majority. However, Socialism will not be possible until workers understand and vote for it. When the majority of workers have become Socialists, there will be no need for an armed uprising.

The consequence for the working class of these four political errors is that capitalism is still in place. As the SPGB

argued, in THECOMMUNIST MANIFESTO AND THE LAST ONE HUNDRED YEARS (pamphlet, 1948, p 27), the Erfurt Programme “contained the fatal flaw that was destroying the working-class movement for Socialism”. And what happened to Social Democracy? The German SDP and the British Labour Party became indistinguishable from other parties in capitalism. Other political parties, like the SDF and the Independent Labour Party, were absorbed into the Labour Party.

## The Futility of Reformism

For the SPGB, a programme of reforms is useless to a Socialist party.

*The Socialist Party will not barter its independence for promises of reform. For no matter whether these promises are made sincerely or not, we know that the immediate need of our class is emancipation, which can only be achieved through the establishment of Socialism.*

QUESTIONS OF THE DAY, p. 18 [1932 edition]

A Socialist party must not be diverted into trying to tackle the individual problems of capitalism, no matter how pressing they may seem. It must not advocate capitalist reforms:

*The SPGB... is the party with Socialism and nothing but Socialism, as its object... it cannot seek support for or advocate any policy of reform or anti-reform.*

SOCIALIST STANDARD, July 1911

It must not have leaders nor will it have, for its membership must be of men and women who know what Socialism is and how it must be established. The SPGB stands on its own OBJECT AND DECLARATION OF PRINCIPLES. It is the Socialist object that is our ‘immediate demand’, not a shopping list of reforms. And what is the Socialist alternative? It is a social system in which the population of the world co-operates to supply the needs of all, by production solely for use; without buying and selling, with no markets, no wages system, no exploitation; no profits, no coercive state, no economic rivalries leading to armament and war. The first ever editorial in the first issue of the SOCIALIST STANDARD (September 1904) set out what the Party stood for:

*In dealing with all questions affecting the welfare of the working class our standpoint will be frankly revolutionary. We shall show that the misery, the poverty, and the degradation caused by capitalism grows far more rapidly than does the enacting of palliative legislation for its removal. The adequate alleviation of these ills can be brought about only by a political party having Socialism for its object. So long as the powers of administration are controlled by the capitalist class so long can that class render nugatory any legislation they consider to unduly favour the workers.*

Only workers who accept the single Socialist objective can work effectively for Socialism. Socialism cannot be imposed on workers from above: workers have to take *conscious* political action as they cannot establish common ownership and democratic control of the means of production without being aware of what they are doing. And Socialism cannot be established except through political means, i.e. through the capture of the whole machinery of government, including the armed forces and the police:

*... in order that this machinery... may be converted from an instrument of oppression into the agent of emancipation and the overthrow of privilege, aristocratic and plutocratic.*

THE OBJECT AND DECLARATION OF PRINCIPLES OF THE SPGB

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## About Reformism - Some Plain Speaking

The task of achieving Socialism has in many minds come to be associated with movements to make Capitalism run

more smoothly by means of social and political reforms. It is important to the socialist movement that the two purposes should be kept quite distinct. Only convinced socialists can work for Socialism, but reform movements attract conscious as well as unknowing defenders of Capitalism...

Those who argue that Socialism is a long way off make it farther off by muddling the workers' heads with complicated reform programmes; those, on the contrary, who argue that Socialism can be here tomorrow keep their theoretical ideas and practical policy clear and fresh by concentrating solely upon Socialism, leaving no doubt in the minds of the workers about what Socialism is and the practicability of its immediate application, providing the workers understand it and want it...

The basis of all gradualist pretensions is that we can have a little bit of Socialism existing alongside of Capitalism, and that this little bit can grow and grow until Capitalism is absorbed in the new system... Socialism, on the other hand, means an immediate and fundamental revolution in the basis of society; the abolition of capitalist ownership of the means of production and its replacement by common ownership. This change will be catastrophic in the sense of a complete break; it cannot be accomplished gradually, no matter how excellent may be the intentions of the gradualists. It involves the capture of political power by the workers and, in the meantime, permanent and unswerving antagonism to Capitalism, its spokesmen, and those who try to dress up Capitalism in more alluring garments. The final fate of all gradualists is to lose themselves in the camp of the enemy. Revolution alone, and not reform, is the only policy to which a socialist party can adhere.

QUESTIONS OF THE DAY, SPGB pamphlet, 1953 edition, p 9 and pp 19-20

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## What the SPGB Has Done Since 1904

The SPGB is often asked: "*You agree with and teach the Materialist Conception of History and the Labour Theory of Value. You kicked off in 1904, but what have you contributed to the Socialist movement, what else have you learnt and taught?*" But before answering that question, we think it is appropriate to state what the Socialist Party of Great Britain has not done.

The problems facing the working class under capitalism broadly come under three headings: war, want & insecurity.

The British capitalist class were involved in two major wars in the last century, and have been involved in a war in Afghanistan and Iraq in the first decade of the 21st century. While capitalism lasts, these will not be the only conflicts to be fought this century. The SPGB has not encouraged the working class to lay down their lives to maintain British capitalism to defend the revolution, "going wrong" or not, in Russia. Lenin and the Bolsheviks could not establish socialism in a largely backward country. In the First World War, we issued a statement pointing out that war was endemic to capitalism and that only Socialism could end war:

*Having no quarrel with the working class of any country, we extend to our fellow workers of all lands the expression of our goodwill and Socialist fraternity, and pledge ourselves to work for the overthrow of capitalism and the triumph of socialism.*

In the 1914-18 war, the Labour Party urged workers to fight in order to "*crush militarism and end all war*". It supported the 1939-45 war for "*freedom and democracy*", and promised a programme of 'social justice' after the war. Organisations "*left*" of the Labour Party either supported the war in order to defend Russia, or because they thought the Russian revolution was socialist but had taken the wrong path and needed to be preserved to get it back on the correct one. The SPGB in 1918 had pointed out that Russia could only develop capitalism, a fact proved by history.

Want & insecurity are both endemic to capitalism. When the Beveridge Plan was proposed, workers were to be given the princely sum of £2 per week unemployment benefit. The Labour Party, the Communist Party and the Tories all entered the market, offering £2.10, £2.50 and £3.00 benefit respectively. The SPGB issued a pamphlet,

We said that, whatever reforms were brought in, poverty would continue - how right we were! The National Health Service is now 60 years old. Yet cuts in health services are the order of the day. Wards are shut; health workers are made redundant, and health provision for the working class is, as we predicted, very second-rate compared to what the capitalist class enjoy.

Another policy in the capitalist Left's attack on want is nationalisation (in reality for reasons of "*efficiency*"). All the major capitalist parties advocated it, especially Labour, and trade unionists supported it, thinking that industries were being brought under 'public ownership' and that they would take part in the control of their industry. The SPGB has continually pointed out that nationalisation is not Socialism but state capitalism. There is no evidence that nationalisation has guaranteed security for the workers. In some respects, the workers are worse off with nationalisation, having no alternative employer.

With the fear of atomic annihilation and the periodic crises of capitalism, in no way can it be argued that workers are any more secure today through the efforts of Labour governments. These have instituted reform after reform but have been powerless to remove any problem facing the working class.

Marx had another theory as well as the two mentioned in the question: the theory of the Class Struggle. In any suggested political, social or economic programme, the Socialist asks: "*What is in it for the working class as a whole in the long run and what are the consequences for the capitalist class?*"

The capitalist class wants their system to run smoothly and so will offer reforms that may give temporary benefit to a particular section of the working class. Similar reforms, advocated by organisations that have misguided mass support from the working class, may also be acceptable to the capitalists. This is the reason why the parliamentary parties keep complaining that the other parties have stolen parts of their programme. Reforms do not change the basic structure of capitalism and so do not endanger the class ownership of the means of production and distribution.

We have learned the correctness of the analysis of capitalist society made by our founder-members, and which they detailed when they drew up the SPGB's OBJECT AND DECLARATION OF PRINCIPLES. We have taught:

- That the capture of political power is essential before any fundamental change in the social system can be made.
- That, while leadership is a necessary principle for capitalist society, the Socialist revolution requires the conscious understanding and participation of the majority of the working class. That means it must be a bottom-up, not a top-down, revolution.
- That the Socialist Party cannot advocate reforms of capitalism, must not encourage support from non-Socialists, and must be independent of all other parties.
- That Socialism can only be a world-wide system.
- That there is no need for a transition period between capitalism and socialism. Production for social use, and direct and free access to what people need to live decent human lives: these are possible now
- That all wars must be opposed, without distinction between alleged wars of defence, offence, or opposition to tyranny, since no capitalist wars are ever fought in the interest of the working class.
- That nationalism will not exist in a socialist society.
- That taxation is a burden on the capitalist class and not on the working class, whose take-home pay must approximate at least to the minimum of wages needed to reproduce the commodity labour-power.
- That all Socialist parties in different areas of the capitalist world must be open, democratic parties: with no leaders, no closed or secret meetings, with all members on an equal footing, operating by majority decision, and thus demonstrating the type of society they seek to establish.

- That capitalism will not collapse of its own accord but crisis will follow crisis, until the working class of the world consciously and politically unite to abolish commodity production and exchange for profit, and replace capitalism with common ownership and democratic control of the means of production by all of society.

And we have learnt from bitter experience that the pursuit of a Socialist object within clearly defined principles is the only way to conduct political action.

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## Labour Governments and 'Economic Blizzards'

The Labour Party in government always turns out such a disappointment to its deluded supporters. The 1924 Labour Government “*distinguished itself... by being prepared to use the Emergency Powers Act to deal with striking tramwaymen and underground railwaymen*”. Of the second (1929-1931), the SPGB wrote (QUESTIONS OF THE DAY, pp 64 and 67):

*The enthusiasm of even the staunchest Labour voters was undermined by instance after instance of successful attacks on their wages and working conditions... The general defence of the Labour cabinet was that they were the victims of an ‘economic blizzard’. But it was precisely because they professed to be able to protect the workers against such blizzards that they went into office. ‘Economic blizzards’ are a normal and recurrent feature of Capitalism; it is an illusion to suppose that Capitalism can exist without them.*

And so on, through the postwar years till now. Some things just don’t change: ‘*Groundhog Day*’, endlessly repeated... Surely not!

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## A Capitalist Miscellany

The Labour government has paid out £430 million to pay for 7,718 Whitehall staff redundancies (TELETEXT, 11 February 2008). The Lib Dems had to ferret out the figures. Time to make capitalism and its Labour admin redundant!

The Unite union urges Brown to “*personally intervene*” to stop Rolls Royce closing its factory in Bootle - 200 jobs face the axe (TELETEXT, 9 February 2008). How many of those and other redundant workers voted for the capitalist Labour Party? How many have learned from their folly?

Violent stories in the Old Testament pose a problem for many Christians, according to a survey (TELETEXT, 9 February 2008). Perhaps they should try reading some more recent science fiction or, better still, Marxian Socialist literature – much more rewarding.

The repossession of working-class houses was up by 20% in 2007, to 27,100 homes taken back, an eight-year high, reported the Council of Mortgage Lenders (TELETEXT, 8 February 2008). Solving the housing crisis has been the Labour Party’s top priority since 1945. Surely this is the clearest proof of continuing working-class poverty. When will they learn?

Condoleezza Rice (Bush’s henchwoman) has met Gordon Brown, to discuss how to maintain support for the Afghan War and repair relations with the Afghan President Karzai, who rejects much of the international strategy for his country (TELETEXT, 6 February 2008). Is it too much to ask that the Afghan, American and British workers, together with other nationals involved, should stop fighting their masters’ wars, and organise together for Socialism?

More fascism, as Brown “*paves the way*” for phone-tap evidence to be used in court (Teletext, 6 February 2008). In Britain, some 653 state bodies, including 474 local councils (checking up on fly-tipping, rogue traders, and of course ‘benefit fraudsters’), have power to intercept – i.e. eavesdrop on - private communications. New applications for interceptions are made at a rate of 960 a day (NB excluding those which are secret): these cover all forms of communication by a named person or all communications to and from a named building Even a Labour MP was moved to bleat a feeble protest: “*To walk blindfolded into 1984 is not anything that anyone in their right mind would want*” (DAILY TELEGRAPH, 29 January 2008). There are those who say that ‘security’ is the first priority. But it is capitalism that needs the conflicting economic interests of rival ruling classes and, if push comes to shove, there is no ‘security’ against modern weapons. If this is ‘freedom and democracy’, capitalism’s replacement is long overdue.

Fears that wind turbines interfere with military radar are threatening government plans for renewable energy (TELETEXT, 4 February 2008). A war first, green next, capitalist Labour government gets its priorities “*right*”. High time the workers did!

In this insane society, Colombia supplies more than 80% of the world’s cocaine, with Americans heavily involved. Colombian farmers can get five times as much for coke as they can for growing food. PANORAMA reported that there are 800,000 coke users in the UK (BBC 1, 1 February 2008). Healthy minds are needed to bring about a healthy, happy society – Socialism.

With millions of workers unable to keep themselves and their families warm as gas and electricity prices rise by around 15%, a trade union described as “*obscene*” the announcement of Royal Dutch Shell’s profit of £13.9 billion in 2007 (TELETEXT, 31 January 2008). Exxon Mobil – a.k.a. Standard Oil / Esso –posted an all-time record profit. (BP only missed out on this bonanza due to their legal liability for a refinery fire in Texas, which killed 15 workers.) Workers’ votes made such madness possible. With Socialist understanding, they can change the world from profit motivation to human needs motivation.

## Unnecessary Deaths

An international series of reforms to cut the global toll of deaths among women in childbirth has made almost zero progress after 15 years (INDEPENDENT, 12 October 2007). The World Health Organisation launched its Safe Motherhood initiative twenty years ago but a series of papers in THE LANCET (October, 2007) showed this initiative to have been a failure.

Deaths of mothers in childbirth are almost unchanged since 1990. In 2005, 536,000 women died due to complications of pregnancy or labour, compared with 576,000 15 years earlier. The United Nations Population Fund said that what was needed were midwives, emergency obstetric care, and family planning. All potentially available but with capitalism’s profit motive standing in the way.

“*In the 21st century no woman should die giving life*”, said Thoraya Obaid of the UNPF. Absolutely right! Proven interventions exist but the social framework is all wrong. International divisions and competition, commodity production and exchange for profit, and the private ownership of the means of production, in short, the capitalist system, ensures that heart-breaking problems like this persist from one decade to the next.

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## Marx: Scientist or Philosopher

Socialists consider Marx a social scientist, not a philosopher. Unfortunately, Marx has been turned into an academic philosopher and this is how he is now taught, from A-Level courses to doctorates. Recently he appeared in THE INDEPENDENT’s series “*The Great Philosophers*”, wedged between Socrates and Karl Popper. The unnamed author believes that Marxism is dead in the water. He or she states that: “*there is something philosophically suspect*” about Marx having got the fundamentals right but the time-scale wrong for the establishment of Socialism because

the move is “*unfalsifiable*”; Marx and his supporters must specify a time-scale otherwise there is “*a whiff of blind faith*” about it (THEINDEPENDENT, THE GREAT PHILOSOPHERS Part 10, pp 6-7, 11 February 2008).

Well, the same argument of “*blind-faith*” could be levelled at politicians like Thatcher and Blair, along with economists everywhere, who assert that capitalism will last forever. It is noticeable that philosophers do not attack the doctrine that there is no alternative to capitalism.

Marx argued that the only class capable of abolishing capitalism is the working class. Rather than disappearing, they remain a majority in society with the potential to establish Socialism. How could Marx - or indeed Socialists - specify when workers will begin to think for themselves in sufficient numbers to consciously and politically abolish capitalism?

And what is lost to the Socialist case against capitalism, if they cannot? Certainly not the sound and valid case against the profit system. The forces around private property ownership of the means of production, which act upon the working class, have not disappeared. Neither have the social problems, and nor has class exploitation.

Marx has just become a philosophical “*straw Marx*”. The same problem is found elsewhere in university faculties. In economics departments, he is seen as a historical curiosity - a “*minor Ricardian*”, as one professor called him. In history departments, he is written off as an “*economic determinist*”, while scientists, who are uncritically bought up on Karl Popper’s doctrine that Marx was a “*pseudo-scientist*”, have nothing to do with him. In the real world, outside the confines of the campus, politicians want Marx buried under the rubble of the Berlin Wall.

Only the philosophers want him so as to pick over what he wrote, like so many pebbles on a beach. The transformation of Marx into an emasculated philosopher, for students to argue over his texts without placing them into a revolutionary framework, can be traced back to the 1960s when Marx was turned into an academic industry, helping undergraduates to become post-graduates and then on to become professors at this or that university.

One such path was trodden by Professor Peter Singer, now known more for his defence of animal “*rights*” than for his musings on Marx. His writings on Marx are still influential and turn up on student reading lists, partly because they are published by the Oxford University Press.

One book in particular, which did a lot of damage for a scientific understanding of Marx’s ideas and their application to the modern world, was the talk Singer gave to the anti-Marxist Bryan Magee as part of a BBC series on philosophy, transmitted in the mid-1980s. That talk was published under the title of THE GREAT PHILOSOPHERS: AN INTRODUCTION TO WESTERN PHILOSOPHY, and is still being republished.

Singer has no grasp of Marx’s ideas, as can be seen from the following assertion: “*He [Marx] saw the development of history as determined by the forces of production*” (p 203). This is a very one-sided view. Marx also stated that the motor force of history was the class struggle - a political struggle because of the contradiction between the forces of production and the social relations of production. Marx dealt with the conditions of real men and women; the working class, who were excluded from the ownership of the means of production. Famously he wrote:

*History does nothing; it ‘does not possess immense riches’, it ‘does not fight battles’. It is men, real, living men, who do all this, who possess things and fight battles. It is not ‘history’ which uses men as a means of achieving – as if it were an individual person – its own ends. History is nothing but the activity of men in pursuit of their ends.*  
THE HOLY FAMILY, 1845

Marx noted that capitalism has the potential to meet human need but is constrained by the profit motive and capital accumulation for its own sake. Marx went on to say in the COMMUNIST MANIFESTO:

*The history of all hitherto existing society is the history of class struggle. Freeman and slave, patrician and plebeian, lord and serf, guild master and journeyman, in a word, oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended, either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes...*

*The modern bourgeois that has sprouted from the ruins of feudal society has not done away with class antagonisms. It has but established new classes, new conditions of oppression, new forms of struggle in place of the old ones.*

History is changed and made by men and women. Central to the class struggle under capitalism is the working class. And Singer misunderstands what constitutes the ‘forces of production’. Besides science, technology and the means of production, these also include living men and women: that is, workers. Critics of Marx fail to see workers within the ‘forces of production’, and then write Marx off as a “technological determinist”.

Engels put it this way:

*Every change in the social order, every alteration in property relations, has always been the outcome of the discovery of new productive forces which cannot develop properly under the old system of property relations... There must always be a dominant class controlling the forces of production, and a poverty-stricken, oppressed class, so long as there is not enough produced not only to supply the immediate wants of all the members of society, but also to provide a surplus of products for the increase of social capital and for the further development of the forces of production. The way in which these classes are constituted will depend upon the stage of development which the productive system has reached...*

*It is obvious that hitherto the productive forces had not been developed widely enough to provide a sufficiency for all members of society, and that private property had not yet become a chain, a hindrance, to these productive forces. In our day, when the productive forces have attained so high a degree of development that (1) capitalists and productive forces are called into being on a scale hitherto unheard of and the means exist for multiplying these forces unendingly; and (2) these productive forces are concentrated in the hands of a few bourgeois whilst the great mass of the people are falling into the ranks of the proletariat, the condition of the latter becoming more wretched and unendurable concomitantly with the accumulation of wealth in the coffers of the former; that (3) these mighty and easily multiplied productive forces have vastly outgrown the bourgeois and his private property and thus constantly involve society in colossal disturbances – the abolition of private property is not only possible but necessary.*

PRINCIPLES OF COMMUNISM, 1847

[draft for THE COMMUNIST MANIFESTO, tr. Eden and Cedar Paul]

What, in Singer’s view, does Marx’s contribution to “philosophy” amount to? Singer states that it is: “*a kind of vision, a vision of a world in which we are controlled by our circumstances and for that reason not free*” (p 206).

However, Marx was class-specific. He addressed his ideas to the working class. They were not free because they were chained to capital, they were exploited in the production process, and they existed in a social system that could never be made to run in their own interests. CAPITAL, Marx’s scientific study of capitalism, explained why this was so.

Yet workers have the capacity to free themselves consciously and politically from capital and capitalism, and establish Socialism.

Singer, then, moves by a sleight of hand from an abstract discussion of freedom to human nature. He says: “*In Marx...the idea is that if you change the economic circumstances you change human nature and we will all then overcome the divisions between one another*” (p 207). Where Marx is supposed to have said this we are not told. Singer goes on to remark: “*Marx says once we get rid of the economic structure which leads us to compete in the market place we live in a society free of competing interests*” (p 207).

Singer claims this view is false:

*You can change the economic structure but you don’t get rid of the divisions between reason and desire, between my interest and yours, or between the individual and society. If you prevent people competing for profit they compete for power and status and then you have a totalitarian society... Marx was wrong to believe human nature can change* (p 207-8).

Singer’s argument can be put like this:-

- Human nature can be changed by changing social systems (Marx);
- The social system in Russia was changed, and people were prevented from competing for wealth;
- Instead of competing for wealth, they competed for power and status;
- The social system in Russia was the same if not worse than that in Western Europe;
- Therefore Marx's theory of human nature was wrong.

Apparently Singer was given a year's Sabbatical by his university to study Marx's writing, and this is the best he can do. Monty Python's philosopher's song has more intellectual rigour.

Marx's premise is correct. Human nature changes as social systems change. Capitalism is highly competitive, and this has a profound social consequence on the way people behave towards each other. You do not survive as a capitalist unless you are very competitive, ruthless, and prepared to exploit. Likewise, workers have to compete for jobs.

However, the error in Singer's argument is to presuppose that state capitalism in Russia was any different to the capitalism found in the West, where power and prestige live alongside the acquisition of wealth. In this, Russia was no different. Workers both in Russia and Western Europe were exploited within the wages system. Russian capitalism traded on the world market. Its state industries were forced to compete on the world market. The law of value pertained. So, along with the existence of the wages system, there would be a similar pattern of behaviour found in other capitalist countries - notably class struggle and the intensity and extent of class exploitation.

The real question is: was Marx a scientist or a philosopher? Marx considered himself both a man of science and a revolutionary. Socialists would agree. But why?

Engels was in no doubt that Marx was a scientist, and had made contributions to social science. He gave a very good reason. Marx presented capitalism within history, with an origin and termination through class struggle. And he went on, with his theory of surplus value, to show why the class struggle takes place, why this is a political struggle, and why the agents of revolutionary change are the working class.

Engels concluded:

*These two great discoveries, the materialistic conception of history and the revelation of the secret of capitalist production through surplus value, we owe to Marx. With these discoveries socialism became a science.* ANTI DUHRING, p.39

What of the philosophers? Marx had had enough of them in his own day. In an acerbic comment, he once said that philosophy was to masturbation as science was to love. Ambrose Bierce put it another way, defining philosophy as “*a route of many roads leading from nowhere to nothing*” (THE DEVIL'S DICTIONARY).

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## Taking Peter Singer Seriously

Among the many books written about President George W Bush is one by Peter Singer: THE PRESIDENT OF GOOD AND EVIL, subtitled *Taking George W Bush Seriously*. In this, Singer (a professor of ethics and an animal rights campaigner) examines Bush's moral and ethical standards, and finds him sadly lacking.

Bush spouts Christian morality *ad nauseam* but he also asserts America's 'national interest' as his top priority. And sometimes he manages conveniently to combine morality and interest, e.g.: “*Open trade is not just an economic opportunity, it is a moral imperative*” (Singer, p 126).

Bush's certainty that he is right is based on his faith, acquired second-hand from the preacher Billy Graham. After

the events of 11 September 2001, he told Karl Rove: “*I’m here for a reason*” (op. cit., p 99). Singer notes that Bush, like many ‘born-again’ Christians, is gullible and naive:

*When he goes to Israel, he is so confident that he is standing on the hill where Jesus delivered the Sermon on the Mount that the reader might assume he had come across an inscription recording the event carved by the disciples who were present. It never crosses his mind that since the gospel according to Luke tells us that the sermon was given “in the plain”, the gospels might not be entirely reliable* (ibid., p 98).

This passage is full of irony since, after all, the whole of the Bible is mythical.

Singer’s verdict on Bush is similar to what we have said of many lying capitalist politicians: “... we now know that, sincerely held or not, Bush’s ethic is woefully inadequate. He now trails behind him a string of broken promises and reversed policies” (p 225) Which was obvious from the start. Sooner or later, all capitalist politicians find themselves breaking promises and doing U-turns. “Events, dear boy, events!”

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## The American Presidential

The wall-to-wall coverage of the United States presidential election by the servile British press, radio and television, is befitting for a long-term debtor nation toward a long-term creditor. The grovelling (for it can hardly be called reporting) is quite nauseating. During the preliminaries, the contenders from both the Republican and the Democratic parties were all boring mediocrities, one of which from each party would become a candidate. In fairness, there was nothing of substance to report: tell us of one intelligent statement made by any of them!

They all stand for capitalism though capitalism is never mentioned. They all represent the American capitalist class, not the working class, and certainly not the many millions of poor workers.

Despite wearing permanent grins for the cameras, they are all willing to take command of the most militarily powerful nation in history. The US President combines the powers of chief political executive and Commander-in-Chief of the armed forces. They will all be prepared to bomb any rival in the struggle for oil, world resources, and markets. The issue of nuclear missile stockpiles goes unmentioned, in favour of domestic issues such as health, housing and education. These are the standard ‘issues’ of reformist vote-catching and would not be on the agenda if either Republican or Democratic administrations had resolved anything in the past (as in the UK with Labour and Conservative parties).

The working class in America (as in the UK and worldwide) remains gullible and politically ignorant, failing to see that their interests lie in getting rid of this war-prone system that exploits and degrades them. They embrace the nationalist attitudes of their rulers. They are wide open to manipulation by demagogues who need their votes to continue the system that exploits them.

When Hillary Clinton won the New Hampshire primary over Barack Obama, she said: “*This country is worth fighting for – thank you and God bless you!*” (CHANNEL 4, 9 January 2008). Nothing of substance was necessary, and ‘god’ who is notorious for being on the side of the ‘big battalions’ can always change his mind. When Mitt Romney won the Michigan primary on January 16th, he became the third Republican in the running and recorded another piece of gibberish: “*It’s a victory of optimism over Washington-style pessimism!*” If ‘optimism’ is meant to include working-class expectations of getting anything worthwhile out of capitalism, disillusionment is never far away.

President Bush used the opportunity of his few remaining months of power to launch a ‘peace offensive’ in the Middle East. He finished his trip in Saudi Arabia, doing his best to get his allies in the region to confront Iran.

With Iraq in chaos, its ‘health’ system “*in disarray*”, unsafe drinking water, and chronic power problems (report by

the charity, Medact), and car-bomb killings a daily occurrence: after five years of ‘liberation’, this is what the presidential victor will inherit.

One achievement of Clinton, Obama and McCain is that their electioneering oratory has made G W Bush sound almost Socratic by comparison. He found his eloquence just in time to reduce the US interest rate twice in nine days, to a low of 3 per cent, and declare the economy to be “*resilient*”.

Being attracted to personalities - rather than understanding principles - continues to be a hard learning experience for the working class. The next Presidential election after this one will see them in the same subject position, as just so many zeroes voting to be led up the garden path. They only have to take class-conscious action once, and the world would be fundamentally different.

Capitalism is a system where, politically, the intellectually bankrupt solicit the votes of the nationally minded, poverty-stricken, wage-slave masses. So the clowning around and the ‘*promise-them-anything*’ syndrome is not meant to bear any relation to reality - which, of course, it doesn’t anyway. The working class in America, as elsewhere, accept their role as the class of producers, who sell their physical and mental energies to the class that own the means of production. If they believe the promises, it is for just long enough to be deluded into voting continued power to their class enemies. The whole ‘event’ is utterly farcical. For as long as capitalism lasts, any future election will be a repeat of this one, just as this one mirrors those before it.

For anything to change, workers must – in a majority – come to understand the need to change society. This means becoming Socialists and establishing Socialism. They must learn from their experience that capitalism cannot solve their problems since it is a system that necessarily exploits the majority for the enrichment of the few.

## The Same Old System

Workers must wake up to the fact that changing presidents has no effect upon militarism, oil-chasing, weapons stockpiles, or war-making. They must see their interest in losing their nationalist mentality and ending their subjugation. One of the grinning clowns of the presidential campaign will become the strike-breaker or warlord of the near future: his or her policies and actions will be determined by the demands of capitalism.

Whether people will continue to be tortured in places like Guantanamo Bay and other secret locations around the world, reached by aptly named “*rendition flights*”, is impossible to say since, despite evidence to the contrary from victims, “*officially*” no torture has ever taken place.

We do know that the new smiling President will inherit two ongoing wars, where American bombing has killed tens of thousands of people including, of course, women and children. We also know that the war against Afghanistan is expected to continue for “*a generation*”, according to America’s Labour Government ally.

The man who stands behind Hillary Clinton and applauds is her husband Bill, whom she used to applaud during his Presidential days. He is certainly no stranger to bombing. These people regard the loss of human life as just part of the job. In his book, ROGUE STATE, William Blum has a chapter headed *War Criminals: Theirs and Ours*. In citing Clinton as a war criminal, Blum wrote:

*William Clinton, president, for his merciless bombing of the people of Yugoslavia for 78 days and nights, taking the lives of many hundreds of civilians, and producing one of the greatest ecological catastrophes in history; for his relentless continuation of the sanctions and rocket attacks upon the people of Iraq; and for his illegal and lethal bombings of Somalia, Bosnia, Sudan, and Afghanistan (pp 68-9).*

‘Legal’ bombing is of course as much part of the lethal system of capitalism as the ‘illegal’ sort. Nevertheless, ROGUE STATE is a damning indictment of American capitalism, the world’s only superpower. If this is not enough to prompt a rethink among American workers, Clinton actually boasts of his bombing policies. In his autobiography, he wrote:

*Boris Yeltsin sent Victor Chernomyrdin to see me to discuss Russia's interest in ending the war and its apparent willingness to participate in the peacekeeping force afterwards. Meanwhile, we kept the pressure up, as I authorised 176 more aircraft for Wes Clark... B-2 stealth bombers, which flew all the way from Missouri to Serbia and back, non-stop, to perform the night-time bombing operations for which the B-2 was especially well suited. In all, 30,000 sorties were flown in the Kosovo campaign. The success of the air campaign in Kosovo marked a new chapter in military history.*

MY LIFE, pp 854, 859

Written, as usual, in workers' blood.

Any 'rethink' or awakening on the part of American workers is sadly unlikely. The religious dimension in the US presidential election is symptomatic of a working class destined to waste yet more years on their knees under capitalism.

## A Bank With "Interesting Ideas"

The Citigroup Private Bank: "*during these times of economic and geopolitical uncertainty, families want a financial institution with geographic reach, economic insights, financial stability and access to interesting ideas*" (advert, THE ECONOMIST). Egg, a credit card company and part of Citigroup Inc, abruptly cancelled 160,000 families' credit cards (1 February 2008), allegedly as "bad risks".

What next?

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## The Assassination of Benazir Bhutto

Benazir Bhutto, the former prime minister of Pakistan, was recently murdered, in a suicide bomb attack that also claimed the lives of at least 20 of her supporters. The supporters were quickly forgotten, as were those who died in a previous assassination attempt. Under capitalism, it is the leaders who are feted by the media, not the led.

Bhutto was part of a dynastic feudal clan whose supporters, largely illiterate peasants and the poor in City suburbs, gave her unquestioning support. But, when she was in power, she did little to alleviate their poverty. Her snout was firmly in the trough. Millions of pounds were stashed away in Swiss bank accounts.

But poverty is an increasing social problem in Pakistan. It is estimated that about 32% of Pakistan's population are below the food poverty line, rising from a level of 26% in 1988 (GoP, 2002), and about 44% are below the poverty line on the human poverty index (UNDP, 2002). Add to this, the fact that 65% of Pakistan's population lives in rural areas, which is where the bulk of Pakistan's poor (about two-thirds) are found.

What of the rich? In 2005, Pakistan's economy grew by 8.4%, second only to that of China's. In 2006 it topped 6%.

*"It's the best it's ever been," said Asif Kamal, an industrialist who has just bought an investment bank and is building a 20-storey office in downtown Lahore. "There's never been so much money and so many opportunities."*  
GUARDIAN, 8 May 2006

Pervez Musharraf, Pakistan's president, won key economic concessions after apparently turning his back on the Taliban, joining in the hunt for Osama bin Laden, and thereby "cooperating" with George Bush's "war on terror" after September 11, 2001. The US wrote off some of Pakistan's debts at the time, offered \$3bn in economic and military assistance, and ended sanctions linked to Pakistan's controversial nuclear bomb programme. Coupled with this, wealthy Pakistanis abroad began sending home their capital, to be invested in houses and stocks (GUARDIAN, 8 May 2006). The boom is limited to a small minority. Most of the country's 160 million people remain desperately poor, barely able to afford a motorcycle, and the rich-poor divide is wider than ever. Mr Kamal said that only 1% of

citizens were richer now, another 3% were slightly better off, and the rest were “*just poor*”.

Bhutto had recently returned to Pakistan as part of a US-sponsored plan to support the military dictator, Pervez Musharraf, Pakistan's president and former army chief – and also a key regional ally of Bush. If it had not suited US interests, it is likely she would not have made it off the airplane, with her baggage of contradictory ideas and beliefs.

Bhutto followed her father's political ideology of “*Islamic Socialism*” - a contradiction in terms. The dark ignorance of Islam cannot be coupled with the rational enlightenment of Socialism. Religious ignorance cannot co-exist with class consciousness. And the ability to think and make decisions without leaders requires the rejection of all leadership, whether from politicians or imams.

Her father's “*Socialism*” was merely a nationalisation programme. Bhutto's state capitalism and land reform bore no resemblance to common ownership and democratic control of the means of production and distribution by all of society. Socialism it was not.

Benazir Bhutto is not the first in her family to die a violent death, and will not be the last. Her father, former Prime Minister Zulfikar Ali Bhutto, was hanged by a previous US-supported military dictatorship. Two of her brothers also died in mysterious circumstances. Politics in Pakistan has all the dynastic and tribal factionalism found in Imperial Rome or 15th century Italy.

Bhutto was corrupt, and reliant on the support of Western powers. If she had been elected, she would have hoovered up the radical Islamic clerics with their links to the Taliban and worldwide Islamic fascism; cleared out the intelligence bureaucrats who have been waging their own, anti-US, ‘war on terror’ against American interests; and increased her own and her family's wealth by corrupt means or otherwise.

Even if she was so inclined, she would not have been able to do anything about the poverty in Pakistan. Her policies would have been totally opposed to the working class in Pakistan.

It is a developing socialist movement that offers the only political hope for the working class in Pakistan. At the moment, Pakistan is in thrall to Islam and the clerics on the one hand, and to feudal barons like the Bhutto clan on the other. For the working class in Pakistan, her death should go unmourned.

## True - But Inaccurate

*Soldiers' deaths 'down to lack of basic equipment'* (headline in THE INDEPENDENT, 16 February 2008). True, but such unnecessary deaths were not because soldiers lacked military hardware.

The ‘basic equipment’ they lacked was an understanding of the facts of life under capitalism. Like the fact that armed forces exist to fight our bosses’ battles; and wars are not fought ‘in defence of democracy’, or in the interests of the working class. Only about the control of oil and gas. They died for the truly noble cause of Capital, for business, for profits, and the shareholders’ dividends! Such a good cause”

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## Praying For Capitalism

What is the relationship between capitalism and religion? Pretty close, if the Reverend Doctor Peter Mullen is to be believed. As chaplain to the Stock Exchange, he acts as a hot line from City slickers to God. Reverend Mullen is all for capitalism. He says:

*Capitalism reflects Christian teaching in that it accepts the doctrine of Original Sin and works with the grain of human nature rather than against it.*

And he is against Socialism:

*Socialism is an unrealistic economic system that has been shown to fail too many times for that particular lesson to have been learnt again. Give me a mitigated evil any day rather than an unworkable ideology which is only sentimental fantasy.*

The Reverend concludes his sermon by announcing that:

*Look at the nations that have rejected this [capitalist path] and you see populations in poverty and want.*

Obviously he does not leave the confines of the square mile since poverty is not far away in the inner city slums.

*London - the pulse of the UK economy, with the highest GDP of any part of the UK - also has the highest regional rate of child poverty in the UK, with 39 per cent of children (some 600,000 children) living in poverty. In the 13 boroughs that make up Inner London - an area with a population similar in size to that of Wales - children are more likely to be living in poverty than not. Canary Wharf towers over one of the poorest boroughs in the country. Moreover, although child poverty in the capital is lower than at its peak in the 1990s, there has been no consistent improvement since 2000.*

London Child Poverty Commission, MONITORING CHILD POVERTY IN LONDON, 2006

And what of the US? Even before the ‘sub-prime crisis, poverty was bad and rising:

*1.1 million Americans joined the ranks of the poor in 2004. The number of Americans living in poverty rose by 1.1 million to 37 million last year, despite a robust economy that created 2.2 million new jobs. It was the fourth consecutive year poverty has risen.*

USA TODAY, 30 August 2005

So Reverend Mullen thinks that wealth creation is something the capitalist class do? Wrong. Marx showed that economists, who believe the working class need capitalists for wealth and employment, make a mistake by inverting cause and effect. He likened the fallacy to religion: theologians state that God made men and women when, in fact, men and women made God.

Workers create all the social wealth, some of which is taken by the capitalist class - through their ownership of the means of production - as unearned income, in the form of surplus value or profit. Workers are only employed in wage slavery because they do not own the means of production. If they did, there is no reason why they could not just produce to meet human need. They certainly would not need employers.

And when has Socialism, or common ownership and democratic control of the means of production and distribution by all of society, ever existed? State capitalism in Russia was not Socialism because the workers were exploited there, as ruthlessly as in Britain and the US. The same can be said today of Cuba and China.

Capitalism does not reflect Christian teaching but Christian teaching gives support to class rule and class privilege. Reverend Mullen does not even see the poor because he appears to live too well, in the dining rooms of City livery halls, to see the failure of capitalism. He reminds us of Parson Malthus who lived in the enclosed and rather sumptuous grounds of Haileybury College, from which he wrote some of his malicious tracts against the poor who lived in squalor - just a few miles down the road in Ware in Hertfordshire. Clerics may ask us to open our eyes to the Lord but it would be more appropriate if they opened their own eyes to the poverty of world capitalism, whose worldwide Socialist solution is wholly secular and political.

# CND - 50 Years Of Protest

The Campaign for Nuclear Disarmament, a pressure group, hopes to influence politicians, especially the Labour Party. And the Labour Party uses it, as they have used other protest movements. In opposition, Labour politicians wore CND badges but, when in power, they dropped that and signed up to NATO policies, just as any Tories would. CND recently marked its 50th anniversary, with letters to the press (e.g. INDEPENDENT, 16 February 2008), signed by assorted celebrities: Ken Loach, Noam Chomsky, Harold Pinter, John Pilger, Damon Albarn, Bianca Jagger, Brian Eno and Annie Lennox - none of whom have ever done anything to campaign for a world without wars, for Socialism.

They claim that “*nuclear weapons are a global security problem that can only be solved by nuclear disarmament*”.

Wrong: weapons are the tools with which wars are fought, but they are not the cause of wars. The only way to ensure peace is to end the system which causes wars – capitalism, with its inherent tendency to economic competition, spilling over into armed conflict.

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## Second and Third Thoughts

Some of our readers will have noticed that we no longer publish the address of the World Socialist Party (India). The reason is that the WSP (I) have apparently decided to re-affiliate with the Clapham-based Socialist Party.

We were hailed by the WSP (I), only 5 years ago, as “*the genuine SPGB*”. They broke off their association with the Clapham-based Socialist Party and affiliated with us, on grounds of principle – or so they said:

*... The SP (Clapham) has been misusing our misplaced recognition primarily by keeping us uninformed... They are guilty of sharp practice with the awakening workers towards a class-conscious movement... This faction is a forlorn hope for World Socialism. To try to right its wrong is like ploughing the sands...*

*... In the light of the facts we want to state straight, whenever and wherever, we made any mention to the SPGB we meant the genuine adherents of the 1904 SPGB. As of our commissioning as a Companion Party with the SP (Clapham), we mistook the shadow for the substance... Because, our commitment remains, as always, we repeat, to the OBJECT AND DECLARATION OF PRINCIPLES of 1904 as BASIC towards a convergent World Socialist Organization. As such we declare that the SPGB, 71 Ashbourne Court, Woodside Park Road, London N12 8SB [NOTE: our previous address] as the genuine SPGB.* (WSP-I Statement, 2003)

The WSP(I) objected that some of the Clapham-based party and WSM members held non-Socialist views, e.g. on religion, nationalism, racism. But if they think that things have got better since, they are much mistaken.

In their 2003 statement, they accused Adam Buick, a member of the Clapham party, of deception: he “*fed us with lies*”. Yet, surprisingly, the WSP(I) General Secretary, Binay Sarkar, has published a book (largely cobbled together from articles published in The SPGB), which is embellished with an introduction by the same Mr “*fed us with lies*” Buick.

That is ironic. If Sarkar and Buick really did agree with the SPGB’s DECLARATION OF PRINCIPLES, as they both *claim* to do, clearly they would be opposed to one another’s parties, on principle.

But as they say, it takes one to know one. *opportunists of the world, unite...*

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# **Object and Declaration of Principles**

## **Object**

The establishment of a system of society based upon the common ownership and democratic control of the means and instruments for producing and distributing wealth by and in the interest of the whole community.

## **Declaration of Principles**

THE SOCIALIST PARTY OF GREAT BRITAIN HOLDS:

1. That society as at present constituted is based upon the ownership of the means of living (ie land, factories, railways, etc.) by the capitalist or master class, and the consequent enslavement of the working class, by whose labour alone wealth is produced.
2. That in society, therefore, there is an antagonism of interests, manifesting itself as a class struggle, between those who possess but do not produce and those who produce but do not possess.
3. That this antagonism can be abolished only by the emancipation of the working class from the domination of the master class, by the conversion into common property of society of the means of production and distribution, and their democratic control by the whole people.
4. That as in the order of social evolution the working class is the last class to achieve its freedom, the emancipation of the working class will involve the emancipation of all mankind without distinction of race or sex.
5. That this emancipation must be the work of the working class itself.
6. That as the machinery of government, including the armed forces of the nation, exists only to conserve the monopoly by the capitalist class of the wealth taken from the workers, the working class must organise consciously and politically for the conquest of the powers of government, national and local, in order that this machinery, including these forces, may be converted from an instrument of oppression into the agent of emancipation and the overthrow of privilege, aristocratic and plutocratic.
7. That as all political parties are but the expression of class interests, and as the interest of the working class is diametrically opposed to the interests of all sections of the master class, the party seeking working class emancipation must be hostile to every other party.
8. The Socialist Party of Great Britain, therefore, enters the field of political action determined to wage war against all other political parties, whether alleged labour or avowedly capitalist, and calls upon the members of the working class of this country to muster under its banner to the end that a speedy termination may be wrought to the system which deprives them of the fruits of their labour, and that poverty may give place to comfort, privilege to equality, and slavery to freedom.

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